

April 15, 2013

The Honorable Kevin Brady  
United States House of Representatives  
301 Cannon House Office Building  
Washington, DC 20515

The Honorable Mike Thompson  
United States House of Representatives  
231 Cannon House Office Building  
Washington, DC 20515

Dear Congressmen Brady and Thompson:

Thank you for the opportunity to provide comments relating to Comprehensive Tax Reform. We are particularly concerned with the impacts of extending the production tax credit for wind energy. Please accept the attached comments endorsed by hundreds of residents and property owners of the State of Minnesota.

In the final hours of the 2012 fiscal cliff negotiations, the now 20-year old wind production tax credit was again granted a 1-year extension at the estimated cost of \$12 billion<sup>1</sup>. This move was done behind closed doors, without debate or opportunity for amendment and no obligation of the Congress to find a way to pay for it.

With this extension, a critical change to the PTC was also introduced that relaxed the eligibility requirements. Wind energy projects now need only 'commence construction' by January 1, 2014 to qualify for the credit. David Burton, partner at Akin Gump Strauss Hauer & Feld, has stated that developers who plan well and bank enough 2013 PTC-eligible component parts, ***"may be able to continue to construct PTC-eligible wind farms indefinitely"***<sup>2</sup>. This particular form of regulatory 'gaming' would encumber taxpayers with subsidy obligations for projects that may not go into production for many years after the PTC provision has expired.

While public policy has helped the emerging renewables market, there is a growing realization that the subsidy has outlived its usefulness and may be harmful in its current form<sup>3,4</sup>. The wind industry insists the PTC is an effective tool to keep electricity rates low. In fact, it is nothing more than a cost imposed on all taxpayers in order to accommodate development of a politically well-connected, high-priced, low-value resource that cannot meet our electric capacity needs.

For the reasons cited in the attached comments, we strongly encourage Congress to let the wind PTC expire. The industry has had ample notice and can take the steps necessary to address the revenue shortfall.

Respectfully,

Bruce and Marie McNamara

Bob and Kristi Rosenquist

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<sup>1</sup> The IRS has since increased the PTC to 2.3¢/kWh which puts the extension at nearly \$13 billion.

<sup>2</sup> North American Windpower, *Post-PTC Extension, Wind Energy Developers Face New Questions*, [http://www.nawindpower.com/e107\\_plugins/content/content.php?content.10917#.UTtZSVec1NQ](http://www.nawindpower.com/e107_plugins/content/content.php?content.10917#.UTtZSVec1NQ) (Jan 3, 2013).

<sup>3</sup> Jenevein, P. *Wind-Power Subsidies? No Thanks*, Wall Street Journal (April 2, 2013) <http://www.windaction.org/opinions/37929>

<sup>4</sup> Elsberg, P. Spokesperson for Exelon stated "the PTC is no longer needed and distorts competitive wholesale energy markets causing financial harm to other, more reliable clean energy sources." <http://www.governorswindenergycoalition.org/?p=3323>

**U.S. House of Representatives  
Committee on Ways and Means  
Comprehensive Tax Reform  
COMMENTS: ENERGY TAX REFORM WORKING GROUP**

**Comments Submitted for the Record - April 15, 2013**

The undersigned residents and property owners of the State of Minnesota respectfully submit these comments regarding the Energy Production Tax Credit (PTC) for wind energy.

**Executive Summary:** The PTC is often credited for most of the growth in the wind sector but attributing market activity to the subsidy is overly simplistic and fails to consider other crucial factors driving development. When evaluated against key economic and environment criteria, the cost of the subsidy has proven excessive and the benefits to American taxpayers minimal. If the PTC were to expire, the economics of the industry would shift to States with renewable mandates. Power markets will ultimately confront the real cost of wind energy, and price it accordingly. The overall impact on the industry would be far less severe than proponents claim<sup>5</sup>.

**Supporting Statements:**

**High Cost:** Since adopted in 1992, the cost of the PTC for wind energy has ballooned from \$5 million/year in 1998 to \$1.5 billion annually today. The open-ended subsidy of 2.3¢/kWh in after-tax income represents a pre-tax value of over 3.5¢/kWh. In many regions of the country the PTC now equals, or is greater than, the wholesale price of power. Even if the PTC were to sunset, taxpayers are still obligated to cover nearly \$10 billion in tax credits for wind projects built in the last decade. This figure does not include the more than \$12 billion associated with the recent 1-year extension of the PTC. In addition, American taxpayers are obligated to cover \$15 billion in debt for wind projects eligible under Section 1603 (including anticipated 2012 grants).

**Inefficient:** Since the PTC is uniform across the country it is highly inefficient, supporting poorly sited development in some areas while in other areas supporting projects that would have been built regardless of the credit. This is true in Texas and the Pacific Northwest where wind capacity exceeds transmission capacity and wind is curtailed<sup>6</sup>. In New England the PTC likely pays more subsidy than is necessary owing to aggressive State mandates. Utilities in New England routinely sign long-term power contracts for wind at prices significantly above market.

**Other factors advancing wind development:** The industry insists it's at risk of a slow-down without the PTC. This view ignores other crucial factors driving development including state mandates and natural gas prices. It is not possible given available data to identify the extent to which the PTC has contributed to growth in the sector<sup>7</sup>. In fact, demand for wind has eroded recently due, in part, to states meeting their renewable mandates. Lower natural gas prices further reduced wind's attractiveness as a 'fuel saver'. The

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<sup>5</sup> Linowes et.al. 2012 Congressional Testimony <http://science.house.gov/hearing/subcommittee-investigation-and-oversight-subcommittee-energy-and-environment-%E2%80%93-joint-hearing>

<sup>6</sup> Wisner and Bolinger, 2010 *Wind Technologies Market Report*, (2011) vii <http://eetd.lbl.gov/ea/ems/reports/lbnl-4820e.pdf>

<sup>7</sup> Joint Committee on Taxation, *Present Law And Background Relating To Tax Credits For Electricity Production From Renewable Sources* (2005) 14 <https://www.jct.gov/publications.html?func=startdown&id=1579>

EIA now forecasts flat growth in the wind sector for this decade regardless of what happens with the PTC<sup>8</sup>. The surge in wind development in 2012 is more a factor of developers racing to meet federal subsidy deadlines than it is about meeting a need for wind energy.

**Job losses:** Despite billions in public funding the wind sector experienced a net loss of 10,000 direct and indirect jobs in 2010 bringing the total to 75,000<sup>9</sup> jobs. Most of the remaining jobs are temporary construction positions requiring peak levels of development year-after-year to maintain current levels. Attempts to attribute job creation to the PTC must be tempered with corresponding job losses due to higher renewable energy prices. The State of Vermont found that adding just 50 MWs of renewable energy at higher-than-market electricity prices "had the deleterious effects of reshuffling consumer spending and increasing the cost of production for Vermont businesses<sup>10</sup>." Last year, rural electric ratepayers in Minnesota paid more than \$70 million in above-market energy prices due to the high cost of wind<sup>11</sup>.

**Environmental benefits:** Wind energy is an unpredictable, variable resource that cannot be relied on to serve load. Its primary benefit is in reducing U.S. electric carbon emissions. According the Navigant<sup>12</sup>, a four-year extension of the PTC could avoid an incremental 170 million tons of CO<sub>2</sub>. This "best case" estimate is not predicated on an actual working grid region, but if we accept Navigant's estimate the cost to taxpayers is at least \$23/ton CO<sub>2</sub><sup>13</sup>, ten-times the \$1.93/ton market price for offsets in the Northeastern states participating in RGGI! The PTC is a high-priced vehicle for very questionable reductions of CO<sub>2</sub> emissions.

**Conclusion:** The key question is whether the benefits of the PTC for wind are worth the cost. This 20-year old subsidy is expensive, inefficient, has failed to produce net-job increases that are sustainable, and the cost applied per ton of CO<sub>2</sub> is more than 10x the market price of carbon under RGGI. The U.S. power market has undergone significant change since the PTC was adopted, including deregulation. It is not possible to isolate the extent to which the PTC contributes to wind sector growth<sup>14</sup>. Without the PTC, project economics would shift to states with RPS policies. The value of renewable credits might rise in response but power markets will ultimately confront the real cost of wind energy, and price it accordingly.

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<sup>8</sup> EIA, *Annual Energy Outlook 2012* (2012) <http://www.eia.gov/forecasts/aeo/er/>

<sup>9</sup> Wisner and Bolinger v - Note: No independent audits exist to confirm job counts. Since any new job in the electricity sector must contribute to increasing the cost of electricity, this creates economic de-stimulus.

<sup>10</sup> VT DPS, *The Economic Impacts of Vermont Feed in Tariffs* (2009) 12  
<http://publicservice.vermont.gov/planning/DPS%20White%20Paper%20Feed%20in%20Tariff.pdf>

<sup>11</sup> Wall Street Journal *Gouged by the Wind* (May 2012)  
[http://online.wsj.com/article/SB10001424052702303592404577364244006391420.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB10001424052702303592404577364244006391420.html?mod=googlenews_wsj)

<sup>12</sup> Navigant Consulting, Inc. *Impact of the Production Tax Credit on the U.S. Wind Market* (2011) 38

<sup>13</sup> Navigant provides no detail on how it determined offsets. Study assumes some wind built without the PTC and only looked at incremental benefit over 4 years (2013-16). The cost per offset is potentially higher than \$23/ton.

<sup>14</sup> Joint Committee on Taxation 14

## Supplemental Sheet

**Submitted by:**

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**Date Submitted to the Ways and Means Energy Tax Reform Working Group: April 15, 2013**

Comments submitted on behalf of the following residents and property owners of the State of Minnesota.

<b><u>First Name</u></b>	<b><u>Last Name</u></b>
Gloria	Agenten
Jessica	Anderson
Thomas	Anderson
Ted	Arndt
Nancy Lee H.	Arndt
Diane	Ashling
Gary	Ashling
Dan	Banitt
David	Benrud
Nancy	Benrud
Anthony	Bianchi
Carolyn	Blankenship
Melissa	Bolton
Alicia	Bonner
Robert	Bonner
Dorothy	Bourquin
Kathi	Bradley
Samantha	Bradley
Mary	Brickzin-Gale
Lawrence	Brummund
Mary	Brummund
Ann	Buck
Chris	Buck
Christi	Buck
Dave	Buck
Don	Buck
Linda M.	Calistro
Marshall	Carlson
Richard	Carpenter
Lisa A.	Chase
Michael W.	Chase
Gerald	Clare
Sue	Clare
Rick	Conrad
Alison	Coulter
Taffy	Conrad
Ellen	Crownover

John	Daley
Pat	Dicke
Todd	Dicke
James R.	Dorniden
Laura	Drazkowski
Steve	Drazkowski
Bernhard A.	Ellingson
Bob	Eppen
Cindy	Eppen
Avis	Esterby
Gary	Esterby
Bruce	Faacks
Nancy	Faacks
Mary	Fairchild
Terry	Fiero
Abbie	Flom
Eric	Flom
Melanie	Flom
Mary Helen	Forsell
Jeanne	Foss
Russell	Foss
Priscilla M.	Franken
Griffin	Fredrickson
Jolene	Fredrickson
Karen	Fredrickson
Gene	Froehlich
David	Frutiger
Mary	Frutiger
Bill	Gadient
Gary	Gadient
Kay	Gadient
Paulette	Gadient
Thomas	Gale
Billy	Gifford
Betty	Gorman
Ben	Gowan
Paul	Gram
Brenda	Griffin
Jason	Grisim
Terrill V.	Groetken
Karen	Groth
Steve	Groth
Summer	Groth
Tina	Groth
Fremont B.	Gruss
Marge	Hadler
Bernie G.	Hagen
Cheryl	Hagen
Caryl	Hansen
John	Hansen
Dorothy M.	Hartman

Emily	Hartman
Mary Ruth	Hartman
Tom	Hartman
Malon T.	Heath
Ann	Hernke
Cole	Hernke
Joe	Hernke
Nicolette	Hernke
	Hillmann
Rita	Olson
Clyde	Hinrichs
Daniel	Hinrichs
Lyle	Hinrichs
Mark	Hinrichs
Pat	Hinrichs
Sue	Hinrichs
Carey	Hjermstad
David	Hjermstad
Roslyn	Hjermstad
Annette	Hollerud
Scott	Hollerud
Catherine	Huisman
Ellen	Huneke
Joe	Huneke
Julie	Huneke
Jason	Jacobusse
Kara	Jacobusse
Meagan	Jaeger
Mike	Jaeger
Marilyn	Jonas
Duane	Jonas
Doug	Jones
Jerald	Kahle
Ted	Keller
Lora	Keller
Rose	Keller
Angela	Kelly
Cathy	Kelly
Emily	Kelly
Michael	Kelly
Scott	Kelly
Steve	Kelly
Lorry	Kispert
Paul	Kitzmann
Joshua	Klindworth
Lisa	Kovac
Karen	Klindworth
Barb	Kull
Bertrand	Lambert
Sylvia	Lambert
Monie	Landry

Dennis	Larson
Lona	Larson
Merle	Larson
Janet	Larson
Denise	Linaman
Tom	Linaman
Pat	Linnes
Dan	Lodermeier
Jessica	Lodermeier
Erin	Logan
Scott	Logan
Brian	Loos
Jen	Loss
Connie M.	Ludwig
David	Luhman
Deb	Lunde
Russ	Lunde
Chet	Lundell
Amy	Madson
Deb	Maiers
Tom	Maiers
James B.	Majerus
Sherie	Majerus
Marlene	Malerich
Chris	Mallery
Kevin	Mallery
Laureen	McIlree
Jean	McNallan
Blair	McNamara
Bruce	McNamara
Catherine	McNamara
Dave	McNamara
Helen	McNamara
Marie	McNamara
Rose	McNamara
Sarah	McNamara
Steve	McNamara
Arla	McWaters
Tamara	McWaters
Barb	Miller
Ralph	Miller
Patricia	Morrissey
Richard	Morrissey
Colleen	Mueller
John	Mueller
Michelle	Munson
Peggy	Negale
Denny	Ness
Caroline	Nobach
Ed	Nobach
B. J.	Norman

Ben	Norman
Kelly	Norman
Kris	Norman
Dennis	Nygaard
Jerry	Nygaard
Lisa	Nygaard
Rochelle	Nygaard
Thomas	Nygaard
Virginia	Nygaard
Wade	Nygaard
Gregg	Obbink
Dan	O'Connor
Jean	O'Connor
Linda	O'Connor
Marty	O'Connor
Jeff	Ofstie
Angie	Olson
Ben	Olson
Betty L.	Olson
Bryan	O'Neill
Abbey	O'Reilly
Casey	O'Reilly
Judith	O'Reilly
Chris	O'Reilly
Dave	O'Reilly
Kim	O'Reilly
Mary Jo	O'Reilly
Richelle	O'Reilly
Luke	O'Reilly
Wilford (Bill)	O'Reilly
Rolfe	Otterness
Lynne	Otterness
Josh	Parks
Sarah	Parks
Larry	Pederson
Colleen	Petras
David	Petras
Frank	Petras
James B.	Petras
Michael W.	Petras
Myra	Petras
Sarah	Pettit
Greg	Piller
Wendi	Piller
Carolyn R.	Plutowski
Cindy	Pugh
John F.	Pugh
John M.	Pugh
Aaron	Quam
Sarah	Quam
Conrad	Rapp



Joyce	Rapp
Gary	Reeck
Lu Anne	Reeck
Emily	Reese
Maria	Reese
Paul	Reese
Richard	Reese
Darnelle	Reindle
Doug	Reindle
Nancy	Reinhart
Bob	Rosenquist
Kristi	Rosenquist
Marilyn	Rosenquist
	Rosenquist,
Robert	Sr.
Andy	Ryan
Katie	Ryan
Melody	Ryan
Paul	Ryan
Scott	Ryan
Vicky	Ryan
Becky S.	Schafer
Anthony	Scheffler
Daniel	Scheffler
Dustin	Scheffler
Margaret	Scheffler
Nikky	Scheffler
Roger	Scheffler
Susan	Scheffler
Daryl	Schlenger
Helen	Schoenfelder
	Schoenfelder,
Ray	Sr.
Lorraine	Schuchard
Jean	Schulte
Tom	Schulte
Ronnelle	Schulz
Dean	Schutte
Nancy	Schutte
John	Sheets
Ruth	Sheets
James G.	Shelstad
Sylvia	Shelstad
Anna	Sills
Dana	Sills
Bob	Smith
Dan	Smith
Jean	Smith
Rebecca	Smith
Joe	Smith
Doug	Sommer

Teresa	Spencer
Areta	Stambaugh
Paul	Stambaugh
Beth	Steger
Mike	Steger
Rachel	Steger
Rebecca	Steger
Jillian	Steger
Laura	Stene
Paul A.	Stene
Neal	Stenland
Patricia	Stenland
Jan	Strand
Paul	Strand
Barbara	Stussy
Daniel	Stussy
Jon	Stussy
Shawna	Stussy
Annabelle	Suilmann
Carol	Suilmann
Dale	Suilmann
Dean	Suilmann
Julie	Suilmann
Alice	Syverson
Selmer	Syverson
Ralph	Taylor
Bob	Thumann
Dain	Trafton
Vera	Trafton
Harvey L.	Tri
Margaret	Tri
Duane	Troe
Katie	Troe
Paul	Troe
Sonja	Troe
Deb	Tutewohl
Randy	Tutewohl
Charles	Vangsness
Janice	Vangsness
Monte	Viker
Mark	Voegele
Cynthia	Voth
Rodney	Voth
Brian	Wagner
Michelle	Wagner
Cory	Wangen
Ken	Weikert
Greg	Wenner
Josh	Wieseler
Mary	Wieseler
George	Zanmiller

Melinda  
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